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2 November 1951

MEMORANDUM FOR: Special Assistant to The Deputy Director (Administration)

FROM : Chief of Procurement

SUBJECT : Progress Report

In accordance with your memorandum dated
26 October 1951, subject report is hereby forwarded.

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JAMES A. GARRISON

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CENTRAL INTELLIGENCE AGENCY

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Procurement Office

OFFICE OF THE CHIEF

Responsible for procurement, storage, issue and accountability of Agency supplies and equipment, together with the coordination and compilation of materiel required for Agency logistical support.

PROCUREMENT & CONTRACT
DIVISION

Under direction of the Chief of Procurement, effects procurement of all overt and covert supplies and equipment required for Agency activities, directly or by contract, from civilian or military, and other Government Agencies.

PROCUREMENT PLANNING DIVISION

Under direction of the Chief of Procurement, effects, in coordination with operating offices, a compilation of requirements for equipment and supplies essential for Agency operations. Negotiates with appropriate officials of other Government organizations, agreements to insure that CIA logistical requirements are met on a timely basis.

Develops supply plans, stock levels, production capacity requirements and CMP requirements.

SUPPLY DIVISION

Under direction of the Chief of Procurement, provides facilities for the receipt, inspection, warehousing, packing and issuance of all supplies and equipment. In addition, is responsible for utilization accountability and disposal of all Agency materiel.

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PROCUREMENT OFFICE

Current Functions and Activities:

The Procurement Office is responsible for the procurement, storage and distribution of all supplies and equipment for overt and covert operations of CIA. In addition, it has the responsibility for the promulgation of regulations and procedures governing the procurement activities of proprietary activities of the Agency. The broad functions of the Procurement Office entail close coordination with comparable supply levels in the Department of Defense and other Government agencies for the purpose of determining policies and procedures with respect to inter-agency supply relations, particularly as they may effect the support of CIA operations. The advent of NPA, and latterly, the Controlled Materials Plan, under the jurisdiction of NPA, has increased the responsibilities of the Procurement Office, in that it is the responsibility of this office to prepare and present the Agency's requirements for Controlled Materials in connection with the Agency's procurement program. The Procurement Office is responsible for the coordination of all materiel requirements of the Agency in such a manner as to provide for the adequate forecast of such requirements to those other government agencies and commercial sources which will be called upon to provide materiel support to CIA. Simultaneously, the forecast of materiel to be required must be translated into weights, shapes and sizes of Controlled Materials for submission to the Munitions Board for the necessary allocations in connection therewith. The classified nature of the activities of CIA necessitates many departures from normal Government procurement procedures and policies. This is particularly true in connection with the support of highly sensitive activities of this Agency in overseas areas. Such highly classified procurement functions, which preclude the use of the telephone and other insecure, but efficient, means of communication, reduce the individual work production when compared with the average normal government activity. There are certain procurement activities of this Agency that are so sensitive that procurement and ultimate payment must be so accomplished as not to indicate any Government interest whatsoever. In short, the procurement functions of the Procurement Office of CIA are far more complex than that of any other Government activity. The same problems which enhance the complexity of procurement have a parallel effect upon the storage and distribution functions of the Procurement Office. Accountability for all non-expendable supplies and equipment of the Agency rests with the Procurement Office.

OFFICE OF THE CHIEF

Current Functions and Activities:

The Office of the Chief of Procurement is responsible for the promulgation of Agency supply policies and regulations for the implementation

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thereof. The Chief of Procurement is the principal supply functionary of the Agency, responsible to the Deputy Director (Administration) for the procurement, storage, issue and accountability of all supplies and equipment of the Agency and for the development and maintenance of a supply system capable of providing adequate logistical support to all Agency activities based on requirements. Is further responsible for liaison with appropriate officials of other Government agencies. The Office of the Chief serves as the coordinating point between all other Agency (CIA) activities at appropriate levels on all matters pertaining to supply. This office also serves as a consultant in connection with procurement plans and activities of proprietary organizations. This office further establishes administrative procedures, and is responsible for personnel relations within the Procurement Office. The latter in accord with Agency personnel policy.

PROCUREMENT PLANNING DIVISION

Current Functions and Activities:

Accomplishes and determines Agency Supply plans. Determines Agency stock levels, procurement phasing, production capacity requirements and CMP requirements. Recommends procurement policy and standardization of materials. Coordinates liaison with Munitions Board, National Production Authority, and appropriate offices of the Defense Establishment.

Established system for submission of requirements in connection with the Controlled Materials Program. Made provision for assisting CIA proprietary activities in effecting procurement involving controlled materials. Coordinated Agency materiel requirements for submission to Defense Department. Provided assistance to other Agency activities in connection with future materiel requirements in the form of availability studies and estimating costs thereof.

PROCUREMENT AND CONTRACT DIVISION

Current Functions and Activities:

The primary functions and responsibilities of the Procurement and Contract Division are to procure materiel and supplies required by all Agency activities, directly or by contract, from civilian, military and other Government sources. Purchasing activities require constant liaison and contact with commercial industry; Department of Defense establishments - Army, Navy and Air Force; Federal Supply Service; and other

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Government Agencies, in the negotiating and execution of contractual agreements for materiel and supplies. The Procurement and Contract Division activities differ from those of other Government Agencies in one major respect, i.e., that procurement with unvouchered funds is accomplished for the support of the covert operations of CIA. The extreme sensitivity of this procurement with respect to association of procurement with CIA increases the complexity of negotiations and reduces the individual production rate.

SUPPLY DIVISION

Current Functions and Activities:

The Supply Division is responsible for developing, organizing and administering a logistical support program, primarily of a physical nature, providing for the receipt, inspection, warehousing, packing, controlling, and issuance of all supplies and equipment of the Agency, including administrative, communications, medical, general, and operational supplies and equipment; maintenance of control records which reflect by item the total quantity and monetary value of expendable supplies in stock and non-expendable property on hand and in use both in the departmental area and at both overt and covert overseas installations, and the designed accountability for such property; operates building supply rooms and employs Building Supply Officers to fulfill domestic supply requirements of the operating activities; compiles, develops, and maintains catalogs of all items for issue from stock and in use; directs all activities of cargo operations for both overt and covert overseas installations. The division is also responsible for the disposition of all surplus or otherwise unuseable supplies, equipment, and property, including field installations, as well as all departmental property, which requires adequate survey of such materiel and recommendations as to proper disposition in accordance with existing laws and regulations. The Supply Division is further responsible for inspecting and investigating all damages to property of CIA.

PROCUREMENT OFFICE CONCEPT

The Procurement Office has a primary responsibility: that of serving the operational activities of the Agency. This, of course, entails material support of other Agency service activities as well. To adequately fulfill the foregoing, it is necessary that the procurement and supply activities be closely integrated, and that all aspects of the supply program be closely coordinated with those activities it is designed to support. Experience treats that the ultimate in successful operations is obtained through concentrated effort in connection with the prosecution of the operational plan. Supply is a highly specialized service, which translates material requirement forecasts into procurement, movement, storage

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and issue. The latter at the place and time designated by the appropriate operational plan. Management control over all supply activities, domestic and foreign, assures maximum utilization of materials and warehouse space, as well as the timely deposit of adequate supplies in the appropriate operational area.

WHAT HAS BEEN DONE

In the period covered by this report, supply activities of the Agency have been integrated and expanded to anticipate the operational needs of the Agency. A penetrating study of other logistics activities, both civilian and Government, have been made. Changes have been recommended and, wherever possible, instituted to improve the procurement and supply capacity. Mistakes have been made, delays in supporting operational activities have occurred, lessons have been learned and a better supply organization has gradually emerged. In this transitional period operational activities have, of necessity, passed through a transformation in their thinking. A full appreciation of the importance of an advance guarantee of adequate material support to any plan, is gradually permeating the thought processes of the planners. The knowledge that such support requires materials, which because of their scarcity in the face of overwhelming demand must be allocated far in advance, is gradually crystalizing what has previously been nebulous planning, into firm determinations of material requirements. Again, the supply organization has not been perfect, but suffice to say that the record indicates that experience has found fertile soil in which to spawn improvements. The supply organization has never lost sight of the fact that its primary mission is to serve the operational activities of the Agency.

WHY WE HAVE DONE IT

It appears superfluous to dwell at any length on this subject. Our mission is to provide material support to the Central Intelligence Agency, and that has been our goal. Devious paths may have been followed at times, but only through either lack of experience or lack of adequate policy support. At no time, however, was the primary mission obscured or minimized. The legal responsibilities imposed upon the supply organization cannot be lightly brushed aside. Sober and penetrating evaluation with ultimate determinations have been, and are, required. Those burdened with the responsibility of an operational mission are not always tolerant and appreciative of the mandatory responsibilities of those activities which though constituted to provide adequate and timely support, are, in the same breath admonished that certain laws and their implementing regulations cannot be circumvented or prostrated in the interest of accomplishing an operational objective. Here then, lies a definite and dangerous inconsistency.

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The procurement activities of the Agency function in the manner prescribed by Public Law 110, and by reference, Public Law 413, and the implementing directives of the Director of the Central Intelligence Agency. As a guide, the Armed Services Procurement Regulations are employed where applicable, which is in the majority of cases. Government procurement in all cases is strictly regulated, and even though concessions are made to this Agency under Public Law 110, it still does not provide for other than ethical and proper procurement procedures. Public Law 110 further provides for certain latitudes in areas of extreme sensitivity, wherein it is considered that a departure from the norm has been justified and is warranted in the public interest. As can readily be seen, the procurement functions of this Agency are, in the majority, of an extremely sensitive nature. Because of this high degree of sensitivity the procurement functions are devious, and preclude their being handled in the same manner as those of other Agencies. In many cases what is straight forward procurement, on the part of the Department of Defense for example, is extremely sensitive when associated with this Agency, with the resultant complexity and circumspection in accomplishment. As can be seen by the outline of the Procurement Office, it has been necessary to create activities such as the Operational Warehouses and the Special Procurement Branch, who handle the procurement and storage of the more sensitive supplies and equipment. It has been necessary for the Procurement Office of this Agency to establish procedures in collaboration with the National Production Authority and the Munitions Board, whereby the Agency's requirements for controlled materials could be satisfied. It has further been necessary, in collaboration with the military establishment, to set up procedures whereby adequate and timely logistic support of Agency operations could be accomplished.

THIS IS WHERE WE ONCE STOOD

At the beginning of the period covered by this report, the procurement functions of this Agency were divided into two categories; namely, overt and covert. The overt procurement was in connection with the unclassified activities of the Agency. For example, any established Agency has certain definite support problems in connection with its every day operations, and the Central Intelligence Agency has certain published responsibilities which are public knowledge, and therefore can be supported in the normal manner. On the other hand, the covert procurement for the support of the operational activities of the Agency, the character of which are unknown to the general public, are classified to preclude the dissemination of knowledge beyond the need to know basis. In October, 1950 steps were taken, based on experience, to amalgamate the procurement and supply activities of the Agency under one head. This

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step resulted in greater utilization of manpower through a more even distribution of the workload, maximum utilization of space and a more coordinated operation. In the face of expending operational activity, and a shortage of personnel due to a difficult procurement personnel problem, the consolidation of procurement activities has produced the hope for results. The attainment of greater experience, will in all probability from time to time indicate the desirability for organizational changes to cope with the operational requirements.

WHERE WE NOW STAND

At this point, the Procurement Office is a closely coordinated unit with the capacity to procure and store supplies and equipment of every conceivable commodity class in either an overt or covert manner, by employing or preparing to employ the most modern technics, particularly in the area of stock records and the flow of accountability information. At this time the current organization is under careful observation for ways and means in which to improve the ability of the Procurement Office to perform its mission.

WHAT YET HAS TO BE DONE

In the interest of the Agency, a policy determination should be made definitely establishing that the service functions of the Agency would be responsible for the development of procedures and allocation of personnel which would provide adequate and experienced support, both domestic and foreign. Supply activities overseas should be maned by supply personnel, selected and indoctrinated under the management control of the Procurement Office. Personnel of this category assigned to support overseas operations, while being under the management control of the Procurement Office, would be under the military or administrative control of the senior Central Intelligence Agency representative, or such sub-commands as might be considered necessary.

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